

Quarterly Financial Report

2nd QUARTER

Six months ended
August 31,

2009



**Manitoba
Public Insurance**

Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited financial statements for the second quarter ended August 31, 2009 included herein and the annual audited financial statements and supporting notes included in the corporation's 2008 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

Why? One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.

Driving and rating criteria:

- 2005 Toyota Corolla CE (4 door, 4 cylinders, 2 wheel drive)
- \$2 Million Third-Party Liability
- \$500 All Perils deductible

Among the lowest rates in Canada

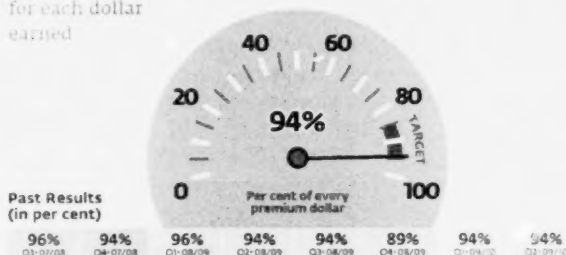


Goal 2

The Basic plan will return at least 85% of premium revenue to Manitobans in the form of claims benefits.

Why? Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service.

Why? By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index



Goal 4

Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet corporate customer service standards that are based on customer expectations.

Why? We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Overall, how often do we meet/exceed standards



Goal 4 continued

Customer Satisfaction in Major Operational Areas

Physical Damage Claims

Past Results
(in per cent)

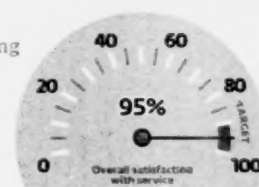
83%	84%	84%	83%	85%	85%	84%	86%
Q1-07/08	Q4-07/08	Q1-08/09	Q2-08/09	Q3-08/09	Q4-08/09	Q1-09/10	Q2-09/10



Driver and Vehicle Licensing

Past Results
(in per cent)

94%	94%	94%	93%	93%	95%	93%	95%
Q1-07/08	Q4-07/08	Q1-08/09	Q2-08/09	Q3-08/09	Q4-08/09	Q1-09/10	Q2-09/10



Bodily Injury Claims

Past Results
(in per cent)

73%	78%	74%	76%
Q1-07/08	Q1-08/09	Q3-08/09	Q1-09/10



Insurance Operations Policyholder Transactions

Past Results
(in per cent)

94%	92%	94%	93%	94%	94%	91%	95%
Q1-07/08	Q4-07/08	Q1-08/09	Q2-08/09	Q3-08/09	Q4-08/09	Q1-09/10	Q2-09/10



Goal 5

Retained Earnings and Rate Stabilization Reserve will be maintained within established target levels.

Why? Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the RSR within its target range helps us control rates when claim costs rise substantially. Manitobans deserve stable, affordable premiums over the long term.

Basic Rate Stabilization Reserve

Past Results
(in per cent)

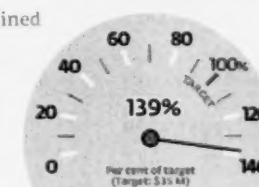
60%	59%	63%	73%	62%	63%	68%	69%
Q1-07/08	Q4-07/08	Q1-08/09	Q2-08/09	Q3-08/09	Q4-08/09	Q1-09/10	Q2-09/10



Extension Retained Earnings

Past Results
(in per cent)

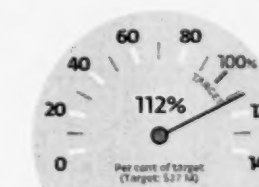
135%	145%	165%	143%	164%	117%	123%	139%
Q1-07/08	Q4-07/08	Q1-08/09	Q2-08/09	Q3-08/09	Q4-08/09	Q1-09/10	Q2-09/10



SRE Retained Earnings

Past Results
(in per cent)

148%	143%	150%	117%	110%	140%	108%	112%
Q1-07/08	Q4-07/08	Q1-08/09	Q2-08/09	Q3-08/09	Q4-08/09	Q1-09/10	Q2-09/10



Goal 6

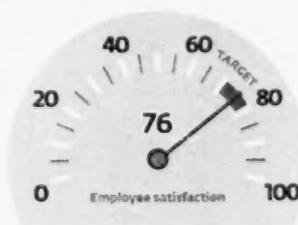
Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

Why? We value our employees.

Level of employee satisfaction

Past Results

79	76	76
Q1-08/09	Q2-08/09	Q4-08/09



Goal 7

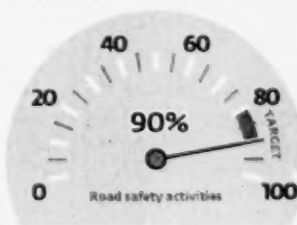
Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the Corporation is living its mission.

Why? Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

Public support for road safety

Past Results
(in per cent)

90%	89%	90%	90%
Q1-08/08	Q2-08/09	Q1-08/09	Q2-09/10



Results of Operations

Manitoba Public Insurance reported net income of \$25.5 million for the six months ended August 31, 2009 compared to net income of \$40.3 million for the same period last year. This includes net income of \$10.4 million (2008 – net income of \$22.6 million) from the Basic insurance line of business. Net income from operations decreased from the previous year by \$14.8 million largely driven by a major hailstorm that struck southern Manitoba on August 13 and 14, 2009, which will cost the corporation \$13.3 million as discussed below. This decrease is offset by increased investment income of \$3.2 million.

Current Year and Last Year

Total earned revenues for the six months increased from the previous year by \$15.9 million. This increase is attributed to motor vehicle earned revenues which increased by \$17.4 million or 4.3 per cent due mainly to increases in the number and value of vehicles insured.

Claims costs for the six months ended August 31, 2009 increased by \$22.6 million or 5.9 per cent compared to last year. Physical damage claims incurred increased by \$14.3 million or 8.0 per cent. A severe hailstorm struck southern Manitoba including Winnipeg, Brandon and Steinbach regions on August 13 and 14, 2009 resulting in over 9,000 claims with an estimated value of \$35 million. Manitoba Public Insurance holds reinsurance coverage against this loss which will limit its exposure to \$13.3 million. Bodily injury claims incurred rose by \$6.3 million or 4.3 per cent mainly due to reserve increases on claims of prior years resulting from decreases in discount rates. The success of corporate initiatives to curtail auto-theft, including the Immobilizer Incentive Program and Winnipeg Auto Theft Suppression Strategy, continues to show positive results as theft and attempted theft claims costs declined by \$3.0 million or 22.2 per cent from the six months ended August 31, 2008.

On December 2, 2008, the Public Utilities Board (PUB) approved the corporation's Basic insurance application for an overall 1% rate decrease for the 2009/10 fiscal year. The ruling means that Manitoba Public Insurance will have held the line or reduced auto insurance rates 10 of the last 11 years, without lowering service or reducing coverage.

On May 1, 2009, the corporation purchased the Cityplace property for \$81.5 million plus expenses. The Cityplace building houses most of the corporation's administrative offices as well as some third-party occupied office and retail space. The net savings to the Corporation resulting from the purchase of City Place is approximately \$3 million per year.

Retained Earnings

Retained earnings of \$314.8 million (2008 - \$324.5 million) are comprised of \$147.3 million for Basic Insurance (2008 - \$167.6 million) and \$167.5 million for competitive lines (2008 - \$156.9 million). The Basic Insurance retained earnings are allocated entirely to the Rate Stabilization Reserve and the Competitive Lines retained earnings are allocated to retained earnings \$90.1 million and the Extension Development Fund \$77.4 million.

In the 2005/06 fiscal year, the corporation established the Immobilizer Incentive Fund by appropriating \$40.0 million from the Basic Rate Stabilization Reserve (RSR). The fund provided financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard, including paying 50 per cent of the cost of the standard installation and providing interest-free financing for the remaining 50 per cent up to five years. In the 2006/07 fiscal year, an additional \$10.0 million was appropriated from the RSR to cover 100 per cent of standard installation costs for vehicles most likely to be stolen, regardless of where in Manitoba they were registered. The fund also covered the administrative costs of the program. During the three months ended May 31, 2009, the \$2.0 million remaining in the fund at the beginning of the current fiscal year was depleted. The corporation will continue to provide the same financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard. Program costs incurred are included in net income for the Basic insurance line of business, which is reported in the RSR in the Statement of Retained Earnings.

In addition, the corporation established on March 1, 2007, the Extension Development Fund (EDF), by appropriating \$39.0 million from competitive lines retained earnings in excess of the most recent year's target of 200 per cent of the Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings. Additionally, on July 1, 2008, \$31.7 million and on March 1, 2009, \$20.9 million was transferred from competitive lines retained earnings to fund the EDF. The EDF is being used to fund service improvements made possible by the merger with the Division of Driver and Vehicle Licensing and that flow through the competitive lines statement of operations. Activity to August 31, 2009 has reduced the EDF by \$14.2 million to \$77.4 million.

Outlook

The corporation remains committed to achieving its seven corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

On June 18, 2009, the corporation released its 2010/11 Basic insurance rate application to the PUB. If approved, overall average Basic insurance rates will remain unchanged from the previous year. The PUB is expected to rule on the application in the fourth quarter of the fiscal year.

Current projections indicate the corporation is expected to realize a net loss of approximately \$0.8 million during the current fiscal year.

Statement of Operations

(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
	(in thousands of dollars)		(in thousands of dollars)	
Premiums written	\$ 218,768	\$ 217,290	\$ 470,569	\$ 462,953
Total earned revenues	\$ 240,040	\$ 234,340	\$ 472,230	\$ 456,361
Claims costs	214,915	194,221	405,447	382,841
Expenses	48,606	43,873	96,532	85,278
Total claims and expenses	263,521	238,094	501,979	468,119
Underwriting income (loss)	(23,481)	(3,754)	(29,749)	(11,758)
Investment income	31,729	30,925	55,277	52,032
Net income from operations	8,248	27,171	25,528	40,274
Surplus distribution	0	0	0	54
Net income after surplus distribution	\$ 8,248	\$ 27,171	\$ 25,528	\$ 40,328

Balance Sheet

(Unaudited)

	August 31, 2009	February 28, 2009
	(in thousands of dollars)	
ASSETS		
Cash and investments	\$ 2,139,639	\$ 2,021,677
Accounts receivable	274,957	276,530
Other assets	258,626	153,776
	<u>\$ 2,673,222</u>	<u>\$ 2,451,983</u>
LIABILITIES		
Unearned premiums	\$ 433,583	\$ 441,588
Provision for unpaid claims	1,650,054	1,561,436
Provision for employee current and future benefits	228,442	221,658
Other liabilities	43,822	55,981
	<u>2,355,901</u>	<u>2,280,663</u>
RETAINED EARNINGS		
Basic insurance retained earnings		
Rate stabilization reserve	147,309	134,915
Immobilizer incentive fund	0	2,021
	<u>147,309</u>	<u>136,936</u>
Competitive lines retained earnings		
Retained earnings	90,132	92,918
Extension development fund	77,366	59,425
	<u>167,498</u>	<u>152,343</u>
	<u>314,807</u>	<u>289,279</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	<u>2,514</u>	<u>(117,959)</u>
	<u>\$ 2,673,222</u>	<u>\$ 2,451,983</u>

Statement of Retained Earnings

(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
	(in thousands of dollars)		(in thousands of dollars)	
BASIC INSURANCE				
Rate Stabilization Reserve				
Balance beginning of period	\$ 144,839	\$ 135,729	\$ 134,915	\$ 127,122
Net income after surplus distribution	2,470	17,292	10,373	22,587
Transfer from Immobilizer Incentive Fund	0	3,187	2,021	6,499
Balance end of period	147,309	156,208	147,309	156,208
Immobilizer Incentive Fund				
Balance beginning of period	0	14,613	2,021	17,925
Transfer to Rate Stabilization Reserve	0	(3,187)	(2,021)	(6,499)
Balance end of period	0	11,426	0	11,426
Balance Basic Insurance Retained Earnings end of period	147,309	167,634	147,309	167,634
COMPETITIVE LINES				
Balance beginning of period	82,893	113,039	92,918	103,739
Net income from operations	5,778	9,879	15,155	17,741
Transfer from (to) Extension Development Fund	1,461	(29,871)	(17,941)	(28,433)
Balance end of period	90,132	93,047	90,132	93,047
Extension Development Fund				
Balance beginning of period	78,827	33,951	59,425	35,389
Transfer from (to) Competitive Lines Retained Earnings	(1,461)	29,871	17,941	28,433
Balance end of period	77,366	63,822	77,366	63,822
Balance Competitive Lines Retained Earnings end of period	167,498	156,869	167,498	156,869
Balance Retained Earnings end of period	\$ 314,807	\$ 324,503	\$ 314,807	\$ 324,503

Statement of Comprehensive Income

(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
	(in thousands of dollars)		(in thousands of dollars)	
Net income after surplus distribution	<u>\$ 8,248</u>	<u>\$ 27,171</u>	<u>\$ 25,528</u>	<u>\$ 40,328</u>
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on available for sale assets	44,149	(18,272)	117,342	11,704
Reclassification to income from available for sale assets	<u>(2,868)</u>	<u>(6,484)</u>	<u>3,131</u>	<u>(8,737)</u>
Other Comprehensive Income (Loss) for the period	<u>41,281</u>	<u>(24,756)</u>	<u>120,473</u>	<u>2,967</u>
Total Comprehensive Income for the period	<u><u>\$ 49,529</u></u>	<u><u>\$ 2,415</u></u>	<u><u>\$ 146,001</u></u>	<u><u>\$ 43,295</u></u>

Statement of Accumulated Other Comprehensive Income (Loss)

(Unaudited)

Balance beginning of period	\$ (38,767)	\$ 50,891	\$ (117,959)	\$ 23,168
Other Comprehensive Income (Loss) for the period	41,281	(24,756)	120,473	2,967
Balance end of period	<u><u>\$ 2,514</u></u>	<u><u>\$ 26,135</u></u>	<u><u>\$ 2,514</u></u>	<u><u>\$ 26,135</u></u>

Statement of Cash Flows (Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2009	2008	2009	2008
	(in thousands of dollars)		(in thousands of dollars)	
Cash Flows From (To) Operating Activities				
Net income after surplus distribution	\$ 8,248	\$ 27,171	\$ 25,528	\$ 40,328
Non-cash items	(9,900)	(11,548)	(3,963)	(12,041)
	(1,652)	15,623	21,565	28,287
Net change in non-cash balances	55,588	25,116	62,586	(22,374)
	53,936	40,739	84,151	5,913
Cash Flows From (To) Investing Activities	(43,837)	4,610	(293,430)	26,212
Increase (Decrease) In Cash and Short-term Investments	10,099	45,349	(209,279)	32,125
Cash and short-term investments beginning of period	51,444	117,553	270,822	130,777
Cash and Short-term Investments End of Period	\$ 61,543	\$ 162,902	\$ 61,543	\$ 162,902

Notes to Financial Statements

- 1 Certain of the comparative figures have been reclassified to conform with the current period financial statement presentation.
- 2 These interim financial statements:
 - should be read in conjunction with the corporation's 2008 Annual Report including the financial statements and supporting notes.
 - have been prepared following the same accounting policies that are disclosed in the corporation's 2008 Annual Report.

MANITOBA PUBLIC INSURANCE OFFICES

**Administrative
Offices****Brandon**

731-1st Street
R7A 6C3
Tel: 729-9400
Head office and Special
Risk Extension

Winnipeg

Box 6300
R3C 4A4
Tel: 985-7000

Outside Winnipeg

Tel: 1-800-665-2410

Deaf access TTY / TDD

Tel: 985-8832

Service Locations**WINNIPEG**

445 King Street
R2W 5H2
Fax: 942-8317

1103 Pacific Avenue
R3E 1G7
Fax: 783-2764

930 St. Mary's Road
R2M 4A8
Fax: 254-0308

420 Pembina Highway
R3L 2E9
Fax: 284-7675

125 King Edward Street East
R3H 0V9
Fax: 783-0374

**Driver and Vehicle
Licensing**

Main Floor
234 Donald Street
R3C 4A4
Tel: 985-7000

1006 Nairn Avenue
R2L 0Y2
Tel: 985-8043

Enhanced ID Centre
1745 Ellice Avenue**Casualty and
Rehabilitation**

Box 6300
R3C 4A4
Tel: 985-7200

**Rehabilitative Case
Management**

Box 6300
R3C 4A4
Tel: 985-7200

**Bodily Injury and
MedEx Injury**

Box 6300
R3C 4A4
Tel: 985-7200

Physical Damage Centre

1981 Plessis Road
Box 45064
Regent Postal Outlet
R2C 5C7
Tel: 985-7771

Holding Compound
Tel: 985-7771

Salvage
Tel: 985-7844

Commercial Claims
Tel: 985-7877

ARBORG

323 Sunset Boulevard
Box 418
R0C 0A0
Tel: 376-6633

BEAUSEJOUR

848 Park Avenue
Box 100A
R0E 0C0
Tel: 268-6400

BRANDON

731-1st Street
R7A 6C3
Tel: 729-9555
Tel: 1-800-852-2743 Rural

Includes:**Driver and Vehicle Licensing
Enhanced ID Centre****DAUPHIN**

217 Industrial Road
Box 3000
R7N 2V5
Tel: 622-2750

Driver and Vehicle Licensing

Provincial Building
27-2nd Avenue Southwest
R7N 3E5
Tel: 622-2783

FLIN FLON

8 Timber Lane
Box 250
R8A 1M9
Tel: 681-2200

PORTAGE LA PRAIRIE

2007 Saskatchewan
Avenue West
Box 1150
R1N 3J9
Tel: 856-2600

Driver and Vehicle Licensing

Provincial Building
25 Tupper Street North
R1N 3K1
Tel: 856-2624

SELKIRK

630 Sophia Street
R1A 2K1
Tel: 482-1400

STEINBACH

91 North Front Drive
Box 2139
R5G 1N7
Tel: 326-4453

Injury Claim Services**Enhanced ID Centre**

Clearspring Mall 2
PTH 12
R5G 1T7
Tel: 346-8030

SWAN RIVER

125-4th Avenue North
Box 1959
R0L 1Z0
Tel: 734-4574

THE PAS

424 Fischer Avenue
Box 9100
R9A 1R5
Tel: 627-2200

Driver and Vehicle Licensing

Room 109-117 3rd Street
Box 2550
R9A 1M4
Tel: 627-2200

THOMPSON

53 Commercial Place
Box 760
R8N 1N5
Tel: 677-1400

Includes:**Driver and Vehicle Licensing
Enhanced ID Centre****WINKLER**

355 Boundary Trail
Box 1990
R6W 4B7
Tel: 325-9538

Includes:**Driver and Vehicle Licensing****Enhanced ID Centre**

Southland Mall,
777 Norquay Drive
R6W 2S2
Tel: 331-7549



**Manitoba
Public Insurance**

For more information contact:

**Manitoba Public Insurance
Corporate Communications**
Room 820, 234 Donald Street
P.O. Box 6300
Winnipeg, MB R3C 4A4